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WHY FALLING FOR THE PROPERTY HOTSPOT MYTH WILL LEAVE BUYERS IN THE COLD AND OUT OF POCKET

If budding property buyers follow the advice of property pundits, who regularly sprout the benefits of the latest 'hot spot', they will undoubtably pay too much.

Housing affordability expert, Ian Ugarte, believes the concept of the 'property hotspot' – often spruiked by so-called property experts - is a complete myth and almost guarantees the buyer will pay top dollar to buy in that area.

"By the time a suburb or region has been declared a 'hotspot', demand is already very high and only likely to grow as more buyers' dollars are drawn to the area, fearful of missing out," the Small is the New Big co-founder said.

"It's like putting money on a horse that's just won the race. The time for windfalls has past – that horse has bolted, and FOMO will guarantee you've paid a higher price.

"Unfortunately, those most affected are uninformed buyers who act on this advice and buy in a supposed 'hotspot' at the height of demand, getting hit hard in the hip pocket in the process.

"This is particularly true over the last 12 months, when you see massive ebbs and flows in the property market."

According to Ugarte, prospective buyers needed more market intelligence to help identify suburbs that were yet to be discovered, since this was where the growth and opportunity lay.

"What we want to look for is an area that has the potential to be a hotspot down the track – so in essence we are looking for a 'warm spot'.

"Warm spots are those areas, often surrounding the so-called 'hotspots', that are cold, but starting to show signs of being more desirable places to live, with listings experiencing fewer days-on-market and median house prices trending upward," he said.

To unearth these 'warm spots', Ugarte urged buyers to be better informed in advance of any purchase by following these five tips:

1. **Research median-price heat maps**: Research median-price heat maps in the area of interest. To do this, just Google 'property heat maps + [suburb]' and look at the images it produces. You're looking for the 'cold' patches of median prices that are surrounded by much 'hotter' suburbs with higher median prices.
2. **Research days on market:** Use tools on various real estate sites to assess the days on market for a property. Domain shows recent historical data for the

previous 12 months, so if it’s fallen from >100 to <100, it's time to start looking.

3. **Research federal & state infrastructure projects nearby**: Research federal and state infrastructure projects in that area to signpost increased demand.
4. **Avoid greenfield estates**: Recognise that greenfield estates will never be in a hotspot.
5. **Only consider established areas**: Buy in an already established area/densified area.

Ugarte believes that by carrying out this necessary (and not very complex) research, and better understanding the hype that often surrounds the property market, not only will buyers be better informed about their planned purchase, they’re also less likely to lose money on their investment in the process.

“Whatever you do, just know that as soon as the taxi driver and the dentist tell you to buy in an area, it’s already too late,” Ugarte warned.

For information on the Hot Spot Myth and how buyers can use readily available data to identify ‘warm spots’, contact Bec Derrington, 0408 062 354.

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